

Expert Advisory Committee
Tuesday June 19, 2012
Department of Health – 8:00am
Meeting Minutes

Attendees: Kathryn Shanley, Ted Almon, Jim Borah, Bill Delmage, Monica Neronha, Elizabeth Lange, Jay Raiola, Joan Kwiatkowski, Craig Syata, Mark Reynolds

- I. Call to Order: Dan Meuse called the meeting to order at 8:00am. He welcomed the group, and gave the floor to Patrick Holland of KPMG. Today will be a focus on Exchange Financial Modeling.
- II. Presentation: Exchange Financial Modeling, slides available on website and upon request. Mr. Holland advised that we would move through the slides at a good pace in an interest to be sure to go through all of the materials.
 - Questions/Comments/Clarifications
 - a. Ted Almon: What is the hold up on naming the Director for the Exchange?
 - i. Dan Meuse: Watch the news this week.
 - b. Ted Almon: From a role of representing business, the stuff you are discussing thus far (up to slide #10) is fairly routine. There is nothing alarming about this thus far.
 - c. Ted Almon: One thing to consider about RI, is according to the Health Insurance Commissioner the individual rates are about 11% of the group rates, which is partly why we kept them separate at first. The dynamic of what will happen when the SHOP exchange becomes somewhat merged through the exchange may be a point of concern. Need contributions from employers. This contributes to a different dynamic in RI vis-a-vis Massachusetts.
 - d. Kathryn Shanley: What happens with Blue Cross Blue Shield as the insurer of last resort?
 - i. Monica Neronha: We still statutorily are the insurer of last resort, I think we would be required to participate in the exchange.
 - ii. Kathryn Shanley: Is it necessary then that the exchange is there and is that statutory requirement somewhat removed as the exchange will provide a place to go, and potentially will be other carriers?
 - iii. Monica Neronha: You cannot assume other carriers for one, but probably yes, but I do not believe the General Assembly would go there. At some point individuals were a large part of the small group market today and I don't know which set of numbers those are in?
 - iv. Dan Meuse: We made an assumption there that they will not be a part of the small group as of 2014.

- v. Monica Neronha: I think that group of one, if self-employed, would be in the small group market.
- vi. Dan Meuse: We are in the midst of arguing with CISCIO thus far on their definition of this.
- vii. Monica Neronha: I say that because naturally the groups of one play the system a bit for the best option.
- viii. Ted Almon: Am I the only one who sees the oxymoron there? Groups of One? They not groups, it's just one person!
- ix. Dan Meuse: In answer we do not know exactly how these numbers break out, but not sure which bucket it lands.
- e. Mark Reynolds: In looking at these numbers (on slide 15), it looks like these are potential enrollees as opposed to take up?
 - i. Dan Meuse: The SHOP number is a take up assumption.
 - ii. Mark Reynolds: At some level I wonder, eligible are nice but perhaps we should do parallel instead of mixing the slide?
 - iii. Patrick Holland: The implications for that are drawn out when we get to the slides on budget.
- f. Jay Raiola: In the employer market, the plans that are being developed and introduced are being done at the speed of sound. I am 1000% for the exchange but I do not think they can work as quickly in the commercial marketplace as those in the marketplace. I disagree with having more flexibility in the exchange. The 20% I feel would be less at first.
 - i. Ted Almon: Jay and I disagree about the words flexibility and competitiveness. He sees it as a good thing, but I see it as a bad thing.
 - ii. Patrick Holland: There is a lot of wiggle room between the actuarial value tiers, so there will be a bit of a move at some point.
- g. Mark Reynolds: How much conversation has happened with Medicaid folks about allocations of cost? If you look at the graph on potential enrollees, in particular determining enrollees and determining eligibility that is not an insignificant portion of the cost which could be charged to Medicaid instead of part of the exchange and I feel that is important to know what that per member per month load is.
 - i. Patrick Holland: To the extent we can bring in more segments as we go to market then you get a better price. Once you have your per member per month locked in, then the quality that gets handled. We are talking through these numbers and making sure we have these conversations, so that we make sure these programs work together but things are done in a cost efficient way.
 - ii. Mark Reynolds: Just wanted to point it out that it is not inconsequential.
- h. Kathryn Shanley: These numbers on slide #26 do not include Medicaid?

- i. Patrick Holland: It has Medicaid net out of it, and it will be a couple million more. This is individual and SHOP combined.
 - ii. Kathryn Shanley: So \$23 million for 75,000 members?
 - iii. Patrick Holland: This is millions of dollars and per member per month.
 - iv. Kathryn Shanley: Okay.
 - v. Patrick Holland: We are using an old allocation methodology here.
 - vi. Kathryn Shanley: But the 75,00 is really 275,000, so then if we include Medicaid the per member per month it will be lower?
 - vii. Patrick Holland: Right but all the numbers will look different. You will have a cost for Medicaid and an allocation for Medicaid even though it uses the exchange. This slide provides a look of the footprint of the exchange. These are indeed preliminary, but the idea is to give a sizing exercise.
 - viii. Kathryn Shanley: I just find the numbers astounding. If you look at these numbers, understanding the caveats, the cost seems extreme.
 - ix. Patrick Holland: There is a lot to an exchange that is not clear.
 - x. Kathryn Shanley: Our market is so small to begin with though.
 - xi. Patrick Holland: Yes the challenge is knocking down the fixed cost. There are truly administrative savings here, there have to be but we do need to get there.
 - xii. Kathryn Shanley: Are you assuming a lot of the marketing will be federal dollars?
 - xiii. Patrick Holland: Yes.
- i. Monica Neronha: I look at the total expense, per member per month and that is a premium impact to me. That is a lot of money on an individual and small group premiums for that. You are going to be paying somewhere in the magnitude of \$400 or \$500 dollars just for taxes and assessment.
 - i. Ted Almon: This is not an add on, we do need to scale this conversation and it is important. It would be one thing if the environment that we were operating in were efficient today. But it is not. It is building tools to fix the existing system. The total administrative costs will be streamlined enormously – it is not an add on, but will rather take the place of things that are currently adding up costs.
 - ii. Kathryn Shanley: Yes, but I don't feel it is an even trade.
 - iii. Patrick Holland: These are so preliminary I would encourage you not to do that type of math just yet.
 - iv. Monica Neronha: Right, but how do you not speculate off these numbers – I do worry about the total impact and how we get there. We do not have final numbers. At the end of the day who is fitting that bill?

- v. Patrick Holland: The challenge is to get it as low as we can. We do need to find administrative efficiencies.
 - vi. Ted Almon: I want to talk about how to make this work. The exchange as a concept has skeptics and out right opponents, but I don't think that is the purpose of this group, we are trying to figure out how to make this work.
 - j. Kathryn Shanley: [On slide #32] The self-insured can still use the exchange for shopping and all that but they are not contributing?
 - i. Patrick Holland: Right, agnostic of that, just a range of potential implications.
 - k. Monica Neronha: On option B [slide #32], can you clarify?
 - i. Patrick Holland: This is not double dipping.
 - ii. Monica Neronha: The enrollment numbers maybe are off?
 - iii. Patrick Holland: Right just a bit.
 - l. Kathryn Shanley: We already all pay a 2% premium tax that goes to the general fund, so shouldn't the General Assembly say that money should go to the exchange, so that we are not paying twice?
 - i. Patrick Holland: I don't think anyone wants you to pay twice.
 - m. Angela Sherwin: This will be the topic for the board next Tuesday, it will be some version of this refined on yesterdays stakeholder and today's meeting, we are still narrowing in on the topic for your next session. We will likely not have completed enough second round analysis on this to bring this right back to you, but the other burning issue for folks seems to be consumer assistance piece. I anticipate that will likely be the next set of conversations.
- III. Public Comment: No additional comment.
- IV. Adjourn